

**LOESS HILLS ALLIANCE
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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Diane McGrain, CPA
Jim Menard, CPA

November 5, 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Loess Hills Alliance
Onawa, IA

Report on the Financial Statements

We have audited the accompanying financial statements of Loess Hills Alliance (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Loess Hills Alliance as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Budgetary Comparison Information on pages 5 through 8, and page 16, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

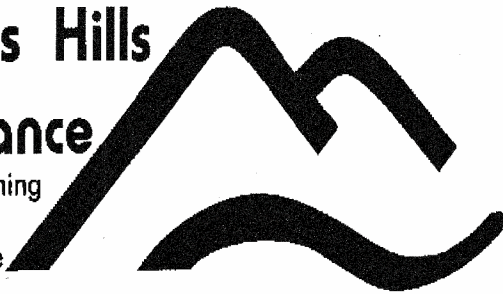
In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015, on our consideration of Loess Hills Alliance internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Loess Hills Alliance's internal control over financial reporting and compliance.

Schraer & Associates, PC

Loess Hills

Alliance

Maintaining
the
Balance



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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Loess Hills Alliance (LHA) provides this Management's Discussion and Analysis of the LHA's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the LHA's financial statements which follow.

2015 Financial Highlights

- LHA state appropriations were \$150,000 for fiscal year 2015 and 2014.
- The LHA's total revenues for fiscal year 2015 decreased by \$5,398 or approximately 3% as compared to fiscal year 2014 due to a decrease in donations.
- The LHA's net assets decreased by \$17,361, or approximately 4.7%, from June 30, 2014 to June 30, 2015.
- The LHA's total liabilities and net assets decreased by \$181,403 or approximately 33.6%, from June 30, 2014 to June 30, 2015. The decrease in the LHA's total liabilities and net assets is largely due to a special protection grant funded in the current year.

Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the LHA's financial activities.

The basic financial statements consist of a Statement of Financial Position including Assets, Liabilities, and Net Assets, a Statement of Activities and Changes in Net Assets, and a Statement of Cash Flows. These statements provide information about the activities of the LHA, on a comparative basis, including resources held by the LHA but restricted for specific purposes by legislation or by the LHA's Board of Directors.

Notes to Financial Statements (pg. 13-15) provide additional information essential to a full understanding of the data provided in the basic financial statements.

Reporting the LHA's Financial Activities

The Statement of Financial Position and Statement of Activities and Changes in Net Assets

One of the most important questions regarding the LHA's finances is "Was the LHA monetarily able to attain its goals during the year?" The Statement of Financial Position and the Statement of Activities and Changes in Net Assets report information about the LHA's resources and its activities in a way that helps answer this question. These statements include all assets (restricted and unrestricted) and all liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the LHA's net assets, which is the difference between assets and liabilities, as one way to measure the LHA's financial position. Over time, increases or decreases in the LHA's net assets are one indicator of whether its financial position is improving or deteriorating. Additional factors, such as changes in appropriations and legislation, and reductions in the amount of local matching funds available, are also important in making this determination.

The Statement of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from three defined types of programs/activities: economic development grants, natural resource protection grants, and private lands stewardship development projects. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

Financial Analysis of the LHA

As noted earlier, net assets may serve over time as a useful indicator of financial position. The LHA's net assets decreased by \$17,361 or by 4.7% from fiscal year 2014 to fiscal year 2015.

Statements of Financial Position			
	June 30,		
	2015	2014	
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 358,777	\$ 540,011	
Prepaid Expense	177	176	
Net Property and Equipment	269	439	
Total Assets	<u>\$ 359,223</u>	<u>\$ 540,626</u>	
Current Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	\$ 3,516	\$ 167,558	
Total Current Liabilities	<u>3,516</u>	<u>167,558</u>	
Net Assets			
Unrestricted			
Invested in Property and Equipment	269	439	
Reserved for Prepaid Expense	177	176	
Undesignated	<u>15,711</u>	<u>17,676</u>	
	<u>16,157</u>	<u>18,291</u>	
Temporarily Restricted	<u>339,550</u>	<u>354,777</u>	
Total Net Assets	<u>355,707</u>	<u>373,068</u>	
Total Liabilities and Net Assets	<u>\$ 359,223</u>	<u>\$ 540,626</u>	

All restricted fund resources are available immediately and obligated to the committees' programs as approved each fiscal year. Carryover committee budget obligations from previous fiscal years, increase operating expenses and decrease net assets in current fiscal years, as programs are completed.

The following shows the changes in net assets for the LHA.

Statements of Activities		
	June 30,	
	2015	2014
Operating revenues:		
State appropriations	\$ 150,000	\$ 150,000
County and private support	13,000	18,000
Other	-	126
Total operating revenues	163,000	168,126
Operating expenses:		
Economic development committee	40,271	33,291
Executive committee	28,697	30,087
Protection committee	76,667	2,557
Stewardship committee	27,165	39,784
Project driven committee	-	13,992
Special projects – bequests	8,100	159,716
Provision for depreciation	170	169
Total operating expenses	181,070	279,596
Non-operating revenues:		
Interest earned	709	980
Total non-operating revenues	709	980
Change in net assets	(17,361)	(110,490)
Net assets-beginning of year	373,068	483,558
Net assets-end of year	\$ 355,707	\$ 373,068

With the commitment by the State of Iowa to continue funding through 2015, the LHA has been able to deliver quality programs to western Iowa and the Loess Hills area.

The LHA works with agencies and partners throughout the Loess Hills region to evaluate and develop programs to serve the region. These programs often require volunteer efforts which are vital to the success and accomplishments of the region and have a substantial but unrecognized value in this report for the LHA and citizens of the Loess Hills.

Budgetary Highlights

The LHA's expenditures for fiscal year 2015 were approximately \$32,000 more than anticipated. Programs and activities approved in each of the committees often require more than one fiscal year to complete. Grant agreements and extensions are completed to carry projects forward from previous fiscal years to be paid in current fiscal years. Funds are designated to programs as they are approved, and paid as they are completed.

Factors Affecting the LHA's Future

The LHA continued to maintain a good financial position during the current fiscal year. However, the condition of the national, state, and local economies will continue to be a concern for the LHA Board of Directors. Some of the realities that may potentially become challenges for the LHA are:

- Ensuring that natural and cultural resource protection and economic development of the Loess Hills remains an important issue in the eyes of federal, state, county, and local governments.
- Reductions in state appropriations.
- Inabilities to secure external funds for match.

Contacting the LHA's Financial Management

This financial report is designed to provide federal, state, and county governments, partners, and taxpayers with a general overview of the LHA's finances and to show the LHA's accountability for the money it receives. If you have questions about this report and/or need additional financial information contact:

Loess Hills Alliance
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FINANCIAL STATEMENTS

**LOESS HILLS ALLIANCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014**

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 358,777	\$ 540,011
Prepaid expenses	<u>177</u>	<u>176</u>
Total current assets	358,954	540,187
Property and Equipment		
Equipment	5,257	5,257
Less accumulated depreciation	<u>4,988</u>	<u>4,818</u>
Net property and equipment	<u>269</u>	<u>439</u>
Total assets	<u>\$ 359,223</u>	<u>\$ 540,626</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ <u>3,516</u>	\$ <u>167,558</u>
Total current liabilities	3,516	167,558
Net assets		
Unrestricted		
Invested in property and equipment	269	439
Reserved for prepaid expense	177	176
Undesignated	<u>15,711</u>	<u>17,676</u>
	16,157	18,291
Temporarily Restricted		
State funds	<u>339,550</u>	<u>354,777</u>
Total net assets	<u>355,707</u>	<u>373,068</u>
Total liabilities and net assets	<u>\$ 359,223</u>	<u>\$ 540,626</u>

See Accompanying Independent Auditors' Report

LOESS HILLS ALLIANCE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
State appropriations	\$ -	150,000	150,000	\$ -	150,000	150,000
County support	10,000	3,000	13,000	6,000	3,000	9,000
Private support	-	-	-	-	9,000	9,000
Interest	-	709	709	-	980	980
Miscellaneous	-	-	-	-	126	126
Temporarily restricted funds released from restrictions	168,936	(168,936)	-	270,076	(270,076)	-
Total support and revenue	178,936	(15,227)	163,709	276,076	(106,970)	169,106
Expenses						
Economical development	40,271	-	40,271	33,291	-	33,291
Executive committee	28,697	-	28,697	30,087	-	30,087
Protection committee	76,667	-	76,667	2,557	-	2,557
Stewardship committee	27,165	-	27,165	39,784	-	39,784
Project driven	-	-	-	13,992	-	13,992
Special project - bequests	8,100	-	8,100	159,716	-	159,716
Depreciation	170	-	170	169	-	169
Total expenses	181,070	-	181,070	279,596	-	279,596
Change in net assets	(2,134)	(15,227)	(17,361)	(3,520)	(106,970)	(110,490)
Net assets, beginning of year	18,291	354,777	373,068	21,811	461,747	483,558
Net assets, end of year	\$ 16,157	339,550	355,707	\$ 18,291	354,777	373,068

See Accompanying Independent Auditors' Report

**LOESS HILLS ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (17,361)	\$ (110,490)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	170	169
(Increase) decrease in:		
Prepaid expenses	(1)	601
Increase (decrease) in:		
Accounts payable and payroll liabilities	<u>(164,042)</u>	<u>141,738</u>
Net cash provided by operating activities	<u>(181,234)</u>	<u>32,018</u>
Net change in cash	(181,234)	32,018
Cash and cash equivalents, beginning of year	<u>540,011</u>	<u>507,993</u>
Cash and cash equivalents, end of year	\$ <u><u>358,777</u></u>	\$ <u><u>540,011</u></u>

See Accompanying Independent Auditors' Report

**LOESS HILLS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nature of Activities – The Loess Hills Alliance is a private nonprofit corporation organized under Chapter 504(A), Code of Iowa in 1981. The Organization's primary focus is to protect special natural and cultural resources while ensuring economic viability and private property rights of the loess soils region of western Iowa.

The Organization is funded primarily through appropriations from state governmental agencies and support from local county governments.

The accompanying financial statements, which include all programs administered by Loess Hills Alliance, have been prepared in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other accounting principles appropriate for non-profit associations.

The Organization's Board of Directors is comprised of three members appointed by the board of supervisors of each county participating in the Alliance and at least one of the appointees shall be a member of the board of supervisors from each county. Seven additional members shall be persons with experience in the fields of environmental affairs, conservation, finance, development, tourism, or related fields, and whom the Loess Hills Alliance shall appoint.

The statements of financial position, activities and changes in net assets, and cash flows are all organization-wide financial statements. They report information for all Loess Hills Alliance's activities, which are in turn all deemed to be governmental activities. The Organization has no proprietary type activities.

Revenue Recognition – Revenues from appropriations, grants and other services are recognized when received or accrued. State appropriations, and interest earned thereon, in excess of related program expenses are recorded as temporarily restricted net assets until those funds are expended.

Income Taxes – The Organization is considered to be an affiliate of a governmental unit and a non-profit organization under Section 501(c)(3) of the Internal Revenue Code and; accordingly, no provision has been made for income tax liabilities or expense. The Organization is not considered a private foundation. Tax years for the years after June 30, 2012 remain open to examination by the federal jurisdiction.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LOESS HILLS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash Equivalents – For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchases with maturity of three-months or less to be cash equivalents.

Concentration of Credit Risk – The Organization receives a substantial portion of its revenue from state grants. A significant reduction in the level of government funding would have a major effect on the Organization's programs and activities.

Cash funds deposited in excess of federally insured limits are protected by the Iowa State Sinking Fund for banks and savings associations, which covers Iowa uninsured public funds.

Fair Value of Financial Instruments – The carrying amounts of cash, prepaids and accounts payable approximate their fair values due to the short-term maturities of these financial instruments.

Donor Imposed Restrictions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support depending on the nature of the restriction. The Organization has no permanently restricted net assets.

Donated Facilities – The value of contributed facilities meeting the requirements for recognition in the financial statements was recorded at market rates. One county is contributing office space for use by the Organization in lieu of a cash contribution. The market value of rent for this space was determined to be \$3,000 per year and is reported as County Support and as an Executive Committee expense.

Property and Equipment – Equipment consists primarily of office equipment and is recorded at cost. Depreciation is provided on a straight-line basis over the five year estimated lives of the equipment.

Date of Management Review – Management has evaluated subsequent events through November 5, 2015, the date the financial statements were available to be issued.

**LOESS HILLS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 COOPERATIVE AGREEMENT

In 2004, the Organization entered into a cooperative agreement with Golden Hills Resource Conservation and Development, Inc. Under this agreement, Golden Hills Resource Conservation and Development, Inc. agreed to provide management of Loess Hills Alliance's funds including bookkeeping services, payroll services, and monthly and annual reporting. The Organization expensed \$7,212 and \$9,928 for these services for the years ended June 30, 2015 and 2014, respectively. There was \$1,536 due to Golden Hills included in accounts payable at June 30, 2015, and \$1,676 at June 30, 2014.

NOTE 3 RELATED PARTY TRANSACTION

Loess Hills Alliance received \$150,000 in passed through state support from Loess Hills Development and Conservation Authority for each of the years ended June 30, 2015 and 2014, respectively. Loess Hills Development and Conservation Authority is considered an affiliate of this governmental unit. Loess Hills also expensed \$3,000 and \$2,250 in administrative support to this Organization for the year ended June 30, 2015 and 2014, respectively.

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of funds received to protect special natural and cultural resources while ensuring economic viability and private property rights of the loess soils region of western Iowa. The organization releases funds from restriction when expenses are incurred. Temporarily restricted net assets available were \$339,550 and \$354,777 for the years ended June 30, 2015 and 2014, respectively.

LOESS HILLS ALLIANCE
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	Budget Variance Favorable (Unfavorable)
Support and Revenue			
State appropriations	\$ 150,000	\$ 150,000	\$ -
County and private support	-	13,000	13,000
Interest	-	709	709
Total support and revenue	<u>150,000</u>	<u>163,709</u>	<u>13,709</u>
Expenses			
Economic development committee	41,900	40,271	1,629
Executive committee	25,325	28,697	(3,372)
Protection committee	45,000	76,667	(31,667)
Stewardship committee	36,900	27,165	9,735
Special projects - bequeath	-	8,100	(8,100)
Depreciation	-	170	(170)
Total expenses	<u>149,125</u>	<u>181,070</u>	<u>(31,945)</u>
Change in net assets	875	(17,361)	(18,236)
Net assets, beginning of year	<u>373,068</u>	<u>373,068</u>	<u>-</u>
Net assets, end of year	<u>\$ 373,943</u>	<u>\$ 355,707</u>	<u>\$ (18,236)</u>

See accompanying Independent Auditors' Report



Diane McGrain, CPA
Jim Menard, CPA

November 5, 2015

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Loess Hills Alliance
318 Iowa Avenue
Onawa, IA 51040

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Loess Hills Alliance (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2015.

Internal Control over Financial Reporting

In planning and performing our audits, we considered Loess Hills Alliance's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Loess Hills Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of Loess Hills Alliance's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Loess Hills Alliance
Report on Internal Control

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Loess Hills Alliance's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schroeder & Associates, PC